

CORPORATE PROFILE



RTL Group: Entertain. Inform. Engage.

With interests in 60 television channels, eight video-on-demand (VOD) platforms, 30 radio stations, a global business for content production and distribution, and rapidly growing digital video businesses, RTL Group entertains, informs and engages audiences around the world.

The Luxembourg-based company owns stakes in TV channels and radio stations in Germany, France, Belgium, the Netherlands, Luxembourg, Spain, Hungary and Croatia. With Fremantle, it is one of the world's leading producers of television content: from talent and game shows to drama, daily soaps and telenovelas, including *Idols*, *Got Talent*, *Good Times*, *Bad Times* and *Family Feud*. Combining the on-demand services of its broadcasters, the multi-platform networks BroadbandTV, StyleHaul, Divimove, United Screens and Fremantle's more than 300 YouTube channels, RTL Group has become the leading European media company in online video. In 2018, the Group combined the video ad serving platform SpotX with the European monetisation platform Smartclip to create a global ad tech powerhouse.

The roots of the company date back to 1924, when Radio Luxembourg first went on air. Compagnie Luxembourgeoise de Radiodiffusion (CLR) was founded in 1931. As a European pioneer, the company broadcast a unique programme in several languages using the same wavelength.

RTL Group itself was created in spring 2000, following the merger of Luxembourg-based CLT-UFA and the British content production company Pearson TV, owned by Pearson PLC. CLT-UFA was created in 1997 when the shareholders of UFA (Bertelsmann) and the historic Compagnie Luxembourgeoise de Télédiffusion – CLT (Audiofina) merged their TV, radio and TV production businesses.

Bertelsmann has been the majority shareholder of RTL Group since July 2001. RTL Group's shares (ISIN: LU0061462528) are publicly traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange and on the Luxembourg stock exchange. Since September 2013, RTL Group has been listed in the prestigious MDAX stock index. As of 13 May 2019, the RTL Group shares are no longer listed on Euronext Brussels.

RTL Group's business comprises the following six reporting segments: Mediengruppe RTL Deutschland, Groupe M6 (including the French RTL family of radio stations), Fremantle, RTL Nederland, RTL Belgium and Others (which includes RTL Hungary, RTL Croatia, RTL Group's Luxembourgish activities, the German radio business and the investment accounted for using the equity method, Atresmedia in Spain). Other segments also includes RTL Group's ad-serving platform, SpotX, and the multi-platform networks (MPNs) BroadbandTV, StyleHaul, Divimove and United Screens.

Groupe M6 and Atresmedia are themselves listed companies, with the shares being traded on the stock exchanges of Paris and Madrid respectively.

ENTERTAIN. INFORM. ENGAGE.

The business areas

Broadcast

Television: RTL Group is Europe's largest free-to-air broadcaster. Each day, millions of viewers all over Europe watch RTL Group's television channels, which include the families of channels clustered around the flagships RTL Television in Germany, M6 in France, RTL 4 in the Netherlands and RTL-TVI in Belgium. The Group also has broadcasting operations in Hungary (RTL Klub, RTL II, and six cable channels), Croatia (RTL Televizija, RTL 2, RTL Kockica), and Luxembourg, as well as interests in Atresmedia in Spain.

VOD: RTL Group's broadcasters operate eight video-on-demand platforms in seven countries in Europe. By the end of 2018, RTL Group had passed one million paying subscribers, combining the subscriber bases of TV Now Premium in Germany and Videoland in the Netherlands. Other VOD platforms are the advertising-financed services 6Play in France, RTL Play in Belgium and Croatia, RTL Most in Hungary, RTL XL in the Netherlands, and Atresplayer in Spain.

Radio: RTL Group's radio stations reach millions of listeners each day. The Group's flagship radio station is RTL Radio in France, and it also owns or has interests in stations in Germany (including 104.6 RTL, Antenne Bayern), Belgium (Bel RTL, Radio Contact), Spain (Onda Cero, Europa FM, Melodía FM) and Luxembourg (RTL Radio Lëtzebuerg, Eldorado).

Content

RTL Group's content production arm, Fremantle, is one of the largest creators, producers and distributors of television brands in the world. With operations in over 30 territories, Fremantle is responsible for around 12,700 hours of TV programming broadcast each year. It also distributes more than 20,000 hours of content in over 200 territories.

Digital

RTL Group has become the leading European media company in online video and is ranked among the top global players in this segment. Since 2013, RTL Group has made key investments in several multi-platform networks (MPNs) such as BroadbandTV, StyleHaul, Divimove and United Screens. During 2019, RTL Group will combine StyleHaul, Divimove and United Screens to build a strong and profitable digital video group.

RTL Group has also invested in advertising technology, in the form of video ad serving platform SpotX in the US and monetisation platform Smartclip in Europe. In 2018, RTL Group combined SpotX and Smartclip to create an integrated ad-tech company to launch the platform across the Group's operations and to scale it up with further acquisitions and partnerships, most recently with the acquisition of the video technology company, Yospace in February 2019.

Group strategy

This section describes RTL Group's strategy in three areas – broadcast, content and digital. In short, RTL Group's general strategic goal within the Total Video universe is to maximise consumers' attention to its broad variety of video offers, across all devices.

At the end of 2018, RTL Group held a Management Summit in Luxembourg which brought together over 90 top executives from across the Group. Here, RTL Group defined two major strategic priorities to focus on stronger organic growth – this strategy is called Total Video 2.0:

1. Expand RTL Group's video-on-demand (VOD) services through significant investments in more local, exclusive content across all genres, and by continuously improving our capabilities in running a direct-to-consumer business.
2. Grow RTL Group's content production arm, Fremantle, into a global content and IP champion – by continuing its successful push into high-end drama series in all its key markets, and by systematically strengthening the collaboration between Fremantle and RTL Group broadcasters.

Broadcast: building local, integrated Total Video champions

Strengthening RTL Group's broadcast business remains a key part of the Group's strategy. **Building and extending families of TV channels** has been key to tackling increasing audience fragmentation and competition in a digital, multi-channel world. In recent years, RTL Group's families of channels have been enhanced by the addition of several digital channels with clearly defined profiles, including Nitro, RTL Plus, W9, 6ter, and RTL Z.

Most recently, Groupe M6 announced its plan to acquire Lagardère's TV business, to complement its offering for families and to strengthen its overall position in the French media market, both in TV advertising and digital. This major project provides for the acquisition of the entire capital in the following assets: Gulli (the country's leading free-to-air digital channel for children); two pay-TV channels dedicated to younger viewers (Canal J and Tiji), four entertainment and music pay-TV channels (Elle Girl TV, MCM, RFM TV and MCM Top), plus the on-demand offerings of the various channels, including Gulli Replay and the SVOD service Gulli Max.

The next step of RTL Group's strategy for its broadcast units is to build **local, integrated Total Video champions** in the markets in which the Group has strong families of channels, complemented by VOD services designed to attract mass audiences.

RTL Group's TV operations will gradually adopt a **hybrid VOD model** – combining a free, advertising-funded offer with a premium pay content bundle that offers RTL Group TV programmes (both live and on demand) with licensed content from third parties and exclusive content productions (originals) for these services.

By creating these hybrid models, RTL Group is building the next generation of TV and aiming to provide consumers in its various local markets with fully integrated linear and non-linear services via platform operators or direct-to-consumer OTT services.

Over the next three years, RTL Group will invest at least an additional €350 million to boost the expansion of its local streaming services:

- €300 million will be dedicated to content investments across all genres. Every investment in local, exclusive content strengthens both RTL Group's linear TV channels and its streaming services. In other words: a focus on local, exclusive content is the power engine of RTL Group's Total Video 2.0 strategy.
- €50 million will be invested in building a joint VOD tech platform. In 2019, RTL Group has begun to develop the roadmap to a joint tech platform for the VOD services of its broadcasters with the intention that all streaming platforms will ultimately migrate to it. As this tech platform will be a collaboration between RTL Group's units, it will encompass a high level of flexibility for local operations.

By the end of 2018, RTL Group had passed the first million paying subscribers, combining the subscriber bases of TV Now Premium in Germany and Videoland in the Netherlands. Over the next three years, RTL Group aims to grow the number of paying subscribers for its various VOD services to at least 3 million and to increase its VOD revenue, from €216 million in 2018 to at least €360 million in 2021, further diversifying its revenue streams by doing so.

Another focus of the Group's strategy in broadcast is to achieve a significant **increase in non-advertising revenue**, by further growing the revenue from platform operators. RTL Group aims to receive a fair revenue share for its brands and programmes from the major distribution platforms – cable network operators, satellite companies and internet TV providers – for services such as high-definition TV channels, on-demand platforms and digital pay channels.

Next to a cross-platform distribution strategy, RTL Group envisages driving its monetisation capabilities across markets and screens, as there is more and more interest for global ad buying opportunities from advertisers and agencies. As a consequence, RTL Group is investing in its **international sales house, RTL AdConnect**, to give international advertisers and agencies easy access to RTL Group's large portfolio of TV and VOD services, MPNs and advertising technology, in a brand-safe environment. To be more relevant in all key European markets, RTL AdConnect's portfolio also encompasses leading partners such as ITV in the UK, RAI in Italy and Mediahuis in Belgium. Thanks to these partnerships, RTL Group is one of the only media companies in Europe that can **offer advertisers pan-European digital video campaigns**.

Content

The strategic pillar of content and IP creation is mainly served by RTL Group's production arm, Fremantle. Fremantle's strategy has three pillars:

- 1) Maintaining the company's position as a leading producer of quality programming by **nurturing established brands** such as *Idols*, *Got Talent* and *The Farmer Wants a Wife*, while **investing in creating new formats and brands**.
- 2) **Diversifying Fremantle's portfolio** by strengthening its local businesses and increasing prime-time drama. Fremantle has made a series of investments in recent years (with options to buy the remaining stakes in the future), to strengthen its capabilities in the scripted, entertainment and factual genres, and in building a new client base in the OTT and digital video arena.

Since 2012, Fremantle has invested heavily in high-end productions, to accelerate its growth in prime-time drama. Following the premiere of *The Young Pope* – produced by Fremantle's Italian production arm, Wildside – and Fremantle adaptation of Neil Gaiman's acclaimed contemporary fantasy novel, *American Gods*, Fremantle's push into drama continued in 2018 with distinctive productions such as *My Brilliant Friend*, *Deutschland 86*, *The Miracle* and *Picnic at Hanging Rock*.

Currently, Fremantle – together with broadcasters and streaming platforms – is working on the realisation of at least 35 scripted series ideas. As a consequence, international drama productions are forecast to generate more than 25 to 30 per cent of Fremantle's total revenue in 2021 (2018: 19 per cent). RTL Group's Board of Directors has approved an ambitious scripted content expansion plan, containing up to approximately €300 million of additional invested capital, and this is now ready to be deployed for the right ideas.

Drama series are also key for RTL Group's VOD expansion plans. As a consequence, a VOD content working group has been established with Fremantle and RTL Group's major broadcasters to explore the joint development of high-end drama series.

- 3) **Maximising the global Fremantle network** by increasing scale in strategic markets. In recent years, the company has strengthened its Scandinavian and southern European footprint, with the opening of new offices in Sweden, Norway and Spain.

Digital

MPNs

Total Video means maximising consumers' attention to RTL Group's video offerings, across all platforms and devices. This also includes the Group's multi-platform networks such as BroadbandTV, StyleHaul, Divimove and United Screens.

There are three key reasons:

- **Short-form video views continue to grow rapidly**, in particular on mobile devices and among younger people – a key audience for RTL Group and advertising clients.

- **Advertising and branded content revenues in the YouTube ecosystem** continue to **grow dynamically**.
- the **MPN space operates at global scale**, complementing RTL Group's families of channels on national levels – RTL Group has developed strong number one and two positions with its investments and is thus **well positioned to grow MPN margins and profit contributions** significantly.

As part of RTL Group's Total Video 2.0 strategy, the Group will bundle its fully controlled MPN businesses – StyleHaul, Divimove and United Screens – during 2019, to build a strong and profitable digital video group. This new group will operate on a global scale to reach and entertain young audiences.

The combination of Divimove and UFA X, announced at the end of 2018, is an important element of this strategy. The move will significantly enhance the creative power of RTL Group's MPN businesses and the variety of the Group's offers to advertisers in European markets. With its offices in Berlin and Cologne, UFA X will significantly enhance Divimove's capabilities in digital storytelling and format development in the future.

In summary, the new digital video group is about creating multi-platform revenues, building sustainable relationships with the most creative video creators and talent, and creating and owning intellectual property (IP).

Ad-tech

Further substantial growth of RTL Group's digital revenue also requires **new skills in advertising technology**. To grow its ad-tech business, RTL Group combined the operations of **SpotX and Smartclip** in 2018 and will now integrate the platforms and scale it up through additional capabilities and partnerships.

SpotX has successfully become a Total Video company, with a strong focus on OTT (including VOD and live TV), addressable TV, and online video. SpotX's global strategy includes three pillars:

- **Total Video**—seamlessly transact all video via one platform, leveraging technologies built by SpotX, Smartclip, and RTL Group's recent acquisition, Yospace
- **Customer value** – deliver products and services that add value to clients including ad serving, programmatic infrastructure, data enablement, and demand facilitation services
- **Global expansion** – continue to serve a global market while exploring growth potential in the Asian-Pacific and Latin American regions

At the beginning of 2019, RTL Group announced it has signed an agreement to acquire control of the UK-based video technology company **Yospace**. The transaction closed on 1 February 2019. Yospace

has developed one of the most advanced technologies for **Server-Side Dynamic-Ad Insertion (SSDAI)** which allows the replacement of existing commercials from a broadcast stream with more targeted, personalised advertising. Yospace focuses on the premium streaming segment, which is also the fastest-growing and most significant market for RTL Group's global ad-tech company, SpotX. This market segment includes video-on-demand (VOD) and live video that can be streamed to any internet-connected device. As a result, the acquisition of Yospace complements RTL Group's ad-tech stack by ensuring a key technology that can win, retain and scale premium media clients, including RTL Group's broadcasters and streaming services.

In essence, the acquisition of Yospace furthers two strategic goals at the same time. First, RTL Group gains a competitive, fully integrated and profitable solution which is key to further grow SpotX. Secondly, the acquisition will also help build local streaming champions in the markets where RTL Group has strong families of channels. The Yospace technology makes advertising on streaming services more personal, which means a better consumer experience for superior monetisation of the Group's premium advertising inventory.

RTL Group's vision is to create an independent, global monetisation platform for video – a large, innovative, customer-friendly alternative for broadcasters, streaming services and publishers. RTL Group aims to grow its ad-tech revenue by additional €100 million by 2021.

Latest update: May 2019